

**STATEMENT OF THOMAS STRAHLE, PRESIDENT  
New York State Pepsi Cola Bottlers Association**

**New York State Joint Senate and Assembly  
Environmental Conservation Committees**

**Public Hearing on Recycling**

**Monday, October 21, 2019**

**New York State Offices  
250 Broadway,  
New York, New York**

Good Morning, Chairmen Kaminsky and Englebright and members of the committees. My name is Tom Strahle, I'm appreciative of the opportunity to appear before you today to offer you some insight into an aspect of New York's current recycling policy.

It has been an honor and pleasure to serve the last year and a half as president of the New York State Pepsi Cola Bottlers Association, representing the many privately held bottling operations located across the Empire State and employing thousands in a bottling industry workforce.

Additionally, I've had a long history in the bottling industry that has included the last thirty-one years as an employee of Pepsi of the Hudson Valley in Newburgh, New York. This family owned company serves Rockland, Orange, Sullivan, Ulster, Dutchess and Putnam Counties.

As you are aware, Rockland, Orange and Sullivan Counties border New Jersey and Pennsylvania. Neither New Jersey nor Pennsylvania have returnable beverage container laws or "Bottle Bills" as we frequently refer to them.

Along with the other independent bottlers in New York, Pepsi of the Hudson Valley is completely dependent on our businesses and marketplace in New York.

Since the Bottle Bill became law in 1983, we have been forced to endure a vast amount of transshipment of carbonated, non-deposit product into these border areas and for other bottlers, across New York. Transshipment occurs when beverage products are shipped into New York from other states, like New Jersey and Pennsylvania, and no nickel deposit was collected for this product and it finds its way into the redemption process.

No nickel deposit was collected by our New York bottler and this is not our New York product, but yet the empty container is presented to us to refund the five cent deposit that was never paid along with the statutory requirement to pay a handling fee on the container.

Retailers then threaten our operations when we question this infraction of the law as well as the out of state nature of the product presented to us for payment. This ongoing and decades long fraud of the redemption system is in the millions of containers each year. It directly impacts our independent bottler volume and our revenue as customers continue to buy our brands through this black market bootlegging without complying with any part of the law

There is no work around for the independent bottler when compliance with the law by other entities is unenforceable.

For twenty-six years, the independent bottler was able to offset their expenses to comply with New York's Bottle Bill law by utilizing the unredeemed nickels paid at the time of New York purchase of carbonated soft drinks. The unredeemed nickels never completely offset the expense incurred.

The nickels were used to offset the 2-cent handling fee paid to the retailer, the labor expense for our bottler to physically count and handle the containers, the warehouse expense and trucking expense to collect the containers not to mention everything from increased fuel costs for this trucking to increased maintenance and capital outlays for trucks to collect the containers.

In 2009 the Bottle Bill was amended to include water along with a nickel deposit. Also at this time, the law changed to require New York's bottlers to remit 80% of the unredeemed nickels to the state. The independent bottler was most distressed on August 14, 2009 when the law changed the handling fee paid to the retailers to 3.5 cents per container from 2 cents.

This multifaceted fiscal impacts on New York bottlers having to deal with mounting transshipment along border areas, along with the loss of the unredeemed nickels to offset the increased expenses and handling fees associated with complying with the law, the independent bottler's operations were dramatically impacted.

Practically, what happened? New York bottlers have different prices with multi-state customers. Transshipment of full cases into New York dramatically increased as the difference in cost to the retailer was changed. A 24-count transshipped case now cost the in-state independent bottler \$1.20 for the nickel and another \$.84 for the \$.035 per container handling fee. Each container redeemed in a reverse vending machine has an additional cost to the independent bottler of another \$.015 per container, a total of \$2.40 per 24 count cases. The difference of \$2.40 per case for product shipped into New York from Pennsylvania verses what a New York bottler would charge. Multiply this by a van full of product coming into New York and you would see a cost difference of approximately \$350. Magnify that to one tractor trailer load and the difference is approximately \$5,250.

The independent bottler invests in people, merchandising equipment, manufacturing plants and the communities in which we sell. Pepsi of the Hudson Valley even partnered with other bottlers to build and develop a massive manufacturing cooperative in Cicero, New York, near Syracuse, called the Clinton's Ditch Cooperative.

New York's current Bottle Bill system is ripe with fraud from this transshipment. Now with the state's seizing of a significant portion of the unredeemed deposits, the state has skin in the game and they are being ripped off just like us in just about every corner of this state.

Expanding this paradigm, through a Bottle Bill expansion, will only work to enrich those that skirt this system and fraudulently subvert the program.

As the state reviewed this matter and our concerns in 2009, I traveled to Albany to communicate these economic threats. I stated to a policy advocate at the time that the proposed expansion and increased handling fee were unenforceable. The person said, "But, Tom, we need the money."

Please work to correct these errors and take the time to focus on creating a recycling system that brings efficiency to the marketplace.

Thank you for the opportunity to share this information with you today. I'm willing to be an ongoing resource to the committees as you seek to gather information on this issue and its impacts of New York's small businesses. We are the backbone of this state's economy.

I would be pleased to answer any questions you might have at this time.